

Negotiation Documentation: Pre-negotiation Plan & The Price Negotiation Memorandum

[Reference: FAR 15.403-1, 15.403-3, 15.406 and 52.215-2]



Guiding Principles

The primary purpose of a pre-negotiation plan is to ensure that the Government has developed negotiation objectives that will lead to the purchasing of supplies and services at a fair and reasonable price.

In the absence of adequate price competition, the contracting officer must apply and document in the pre-negotiation plan, the analytical techniques used to assess whether a proposed price is fair and reasonable.

Overview

Negotiating any pricing action requires the development of negotiation objectives. The scope and depth of the analysis supporting the objectives should be directly related to the dollar value, importance, and complexity of the pricing action. However, when cost analysis is required, the requirement for formal documentation, i.e., a pre-negotiation plan is much more critical. The development of a pre-negotiation plan that does not reflect a rigorous analysis, evaluation, and examination by element of cost will diminish the achievement of obtaining a fair and reasonable price. Where there is a departure from the established negotiation objective, the price negotiation memorandum should not only identify the negotiated results, but also reflect the same level of rigor in the analysis, evaluation, and basis for its acceptance.

This Acquisition Guide Chapter was developed to provide a formal framework for developing a pre-negotiation plan and price negotiation memorandum that work in tandem to ensure that a fair and reasonable price has been achieved and documented. While the applicability and focus of this guide is to change orders and requests for equitable adjustment (REAs), it can also serve as the basis for documenting negotiations in the award of a sole source contract.

The Pre-negotiation Plan

The pre-negotiation plan is an official document of the contracting officer's negotiation objectives relating to pricing, technical, business, and contractual issues. It assists in the contracting officer's determination of a fair and reasonable price. It must document the pertinent issues to be negotiated and the cost objectives and a profit or fee objective. Because it serves as the basis of the negotiation, the pre-negotiation plan should fully explain the contractor and Government positions. The template which is included as Attachment-A, is provided to assist contracting officers in their analysis of their negotiation objectives when cost analysis is required to support negotiations. Contracting activities are encouraged, through implementation level procedures, to establish

additional templates that are more aligned with the specific needs of their organization and procurements. However, such templates must always be in conformance with the requirements of FAR 15.406. Additionally, when the procurement action has been selected by the Acquisition Planning and Liaison Division (MA-621) for business clearance review (Acquisition Guide Chapter 71.1), the use of the attached template is strongly recommended. The pre-negotiation plan should:

- Identify and compare the contractor's proposed cost to the Government position for each individual element of cost. Differences must be explained, including the estimating methodologies and assumptions as well as the projection techniques and historical data used in developing the Government position.
- Fully explain the recommendations and findings of the auditors, evaluators, and others providing advisory assistance, the basis for their recommendations or findings and the extent they were incorporated in the establishment of the negotiation objective. Where they are not fully utilized, the negotiator should identify the extent to which they were not utilized and the basis for this decision including additional facts and circumstances supporting the negotiator's alternate analysis.
- Provide a detailed rationale for the Government's fee/profit objectives.
- Provide full traceability to the proposal data that was relied upon.
- Ensure that the structure and format of the price negotiation memorandum tracks to the pre-negotiation plan so that reviewers can easily cross-reference between the two documents.

The Contractor's Proposal

Where cost analysis is required, the basic requirements that must be satisfied with respect to cost and pricing are set forth in FAR 15.4. Table 15-2 referenced in FAR 15.4 provides instructions that the contractor and subcontractors, should comply with. When submitting a proposal, contractors must be required to provide a breakdown by element of cost. This breakdown by element of cost should be clearly traceable to the work breakdown structure (WBS) of the statement of work (SOW) and the individual contract line item numbers (CLINs), as applicable. It should provide a breakdown for each element of cost, identify the basis of estimate, and provide summary level tabulations.

Failure to ensure that the contractors submit well documented and organized proposals makes the Government negotiator's analysis of the proposal unnecessarily arduous. Therefore, contractors and subcontractors proposing work on a cost reimbursement basis or in a fixed price environment where cost analysis is required, must be required to comply with the direction provided in Table 15-2 as identified in FAR Clause 52.215-20--Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data FAR Clause and 52.215-21--Requirements for Cost or Pricing Data or Information Other Than Cost or Pricing Data - Modifications. It should be noted that in negotiating change orders and REAs, certified cost and pricing data should be obtained.

Contract Changes and Requests for Equitable Adjustment (REA)

The development of a pre-negotiation plan memorandum to negotiate an REA or definitization of a Change Order, requires additional considerations with respect to the underlying analysis. Significant guidance on contract changes and REAs was provided in Policy Flash 2008-39 which implemented the memorandum dated April 1, 2008, issued by Thomas E. Brown, Director, Office of Contract Management, Office of Procurement and Assistance Management. This Acquisition Guide Chapter must be understood in tandem with the memo when documenting the pre-negotiation objectives for a Change Order REA. Amongst other things, it provides guidance on the evaluation of REAs and the analysis and documentation requirements for establishing negotiation objectives. Some of the key points are identified below:

- The legal concepts of "entitlement" and "quantum" must be individually evaluated and documented for each contract change and REA.
- In evaluating a contractor's "entitlement", the contracting officer must determine the merit of the REA. Is it wholly arising from the "change" to the contract or is some portion resulting from other factors such as excess costs for work that had already been negotiated?
- The "quantum," which is typically the amount that the contractor is entitled should be determined through the evaluation of the contractors' proposal. Where cost analysis is required, the contractor's proposal must be evaluated, analyzed, and tabulated so that legitimate REA costs are segregated from those costs that are not.
- The pre-negotiation plan must break out the cost of new work, deleted work, costs in excess of work that had been negotiated. In addition, they must identify the amount incurred for completed work and the amount projected.
- The contractor's project performance measurement baseline is a critical element of an earned value management systems. It is a project management tool and does not satisfy the definition in FAR Part 15 of cost and pricing data. The baseline validation process is not an adequate substitute for cost and price analysis that is the responsibility of the contracting officer.

The Pre-negotiation Plan Template

The content of the pre-negotiation plan memorandum is identified in the template. It consists of five sections: (I) the Background; (II) the Summary of Total Cost and Fee/Profit; (III) The Summary of key documents, approvals, and compliance; (IV) status of contractor's business systems; and (V) negotiation objectives. However, the reference notes supporting the negotiation objective represent the crux of the cost and price analysis that is conducted and the basis for the government's negotiation objective. Therefore, the reference notes identified for each individual element of cost should, as discussed earlier, provide full traceability to the proposal data that was relied upon; and articulate the recommendations or findings of the auditors, technical evaluators, cost/price analysts, and others providing advisory assistance, the basis for their recommendations or findings, and the extent they were incorporated in the establishment

of the negotiation objective. Where they are not fully utilized, the negotiator should identify the extent to which they were not utilized, the basis for this decision including additional facts and circumstances supporting the contracting officer's alternate analysis.

The reference notes are structured so that the cost charts are embedded within the narrative. This was done simply to reduce the illustrative complexity of the template. It is often more effective and practical to incorporate summary level cost and fee/profit data in the narrative with the supporting spreadsheets provided as an attachment to the reference notes. The benefit of only embedding summary level cost and fee/profit data in the narrative is that the contracting officer will significantly reduce the number of edits that must be made manually when there is a change to a single rate that may flow down and impact multiple cost elements.

The reference notes in the template also include discussions of the type of cost and price analysis that are typically considered when conducting a cost and price analysis for each major element of cost and its associated reference note. However, these are general considerations and points of discussion. The contracting officer in performing the cost and price analysis should rely on the FAR and the detailed guidance on analyzing individual elements of cost that can be found in Volume 3 of the Contract Pricing Reference Guide issued jointly by the Air Force Institute of Technology and the Federal Acquisition Institute.

The Price Negotiation Memorandum

Upon completing negotiations, a price negotiation memorandum must be developed. It should document the purpose and results of the negotiation, the extent to which negotiation objectives were met and the basis for accepting a position that departs from the established objective. To the extent that specific negotiation objectives were met, a statement to this effect is sufficient. A restatement or summary of information and analysis provided in the pre-negotiation is not required. However, where there are differences between the negotiation objectives and the actual negotiated outcome or issues not identified in the pre-negotiation plan, the price negotiation memorandum should provide a full explanation of the agreement reached.

Where there is a deviation from the cost and pricing objectives that were established in the pre-negotiation plan, the price negotiation memorandum should reflect a basis for negotiating an alternate outcome that is consistent with the type of cost and price analysis conducted in establishing the pre-negotiation cost objectives. A template for a price negotiation memorandum is provided as Attachment-B.

ATTACHMENT-A
PRE-NEGOTIATION PLAN TEMPLATE

MEMORANDUM FOR THE RECORD:

SECTION I BACKGROUND

1. Contractor: _____
2. Requisition Number: _____
3. Contract Number/Solicitation Number: _____
4. Contractor's Proposal and Revision Number: _____
5. Contract Type: _____
6. Period of Performance: _____
7. Amount of Funds Available: _____
8. Purpose of Negotiations (e.g., Negotiate a New Contract on a Sole Source Basis; Definitization of a Change Order, Negotiate an Equitable Adjustment; etc.):

7. Description of the Work (Provide a Brief Summary of the General Scope of Work Encompassed by this Action):

8. Contractor's Name and Address/Location(s) Where Work Will be Performed: _____

9. Describe existing or previous contracts that impact the programmatic, schedule, or cost of the current procurement: _____

10. Negotiation Authority: _____.
11. Contractor's Negotiation Team: _____
12. Government's Negotiation Team: _____
13. Date and Negotiation Location: _____

14. Independent Government Cost Estimate: \$ _____ .
 Prepared by (Analyst/Organization Code): _____ .

15. Major Procurement Milestones:

SECTION II SUMMARY OF TOTAL COST AND FEE/PROFIT OBJECTIVE
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	Contractor Proposal	Government Negotiation Objective	Government Maximum Position	Difference (Contractor-Gov't Objective)
Total Cost	\$	\$	\$	\$
Fee/Profit	\$	\$	\$	\$
Total Price	\$	\$	\$	\$

SECTION III SUMMARY OF KEY DOCUMENTS, APPROVALS, AND COMPLIANCES

Key documents, approvals, and compliances applicable to this action: (check applicable items).
 Copies of marked documents are maintained in the original contract file.

- Acquisition Plan approved on ____ / ____ / ____.
- Small Business Set-Aside Review DOE F 4220.2 approved on ____ / ____ / ____.
- Synopsized on ____ / ____ / ____ . If waived, identify the applicable exception pursuant to FAR 5.202: _____.
- Representations and Certifications Completed and Acceptable.
- Small Business Subcontracting Plan (or Revision) Received Pursuant to FAR 19.702(a)(1) on ____ / ____ / ____ . Small Business Subcontracting Plan reviewed by _____, and determined to be acceptable on ____ / ____ / ____ . If determined to be unacceptable, explain the basis for this determination and identify the impact on the Government's negotiation objective. If the subcontracting plan is not required, identify basis for the exception.
- EEO Preaward Clearance Requested In Accordance with FAR 22.805.
- DCAA Rate Check/Audit Report for Prime Contractor Report No. /Date: _____
- DCAA Rate Check/Audit Report for Subcontractor(s) Contractor Report No. /Date: _____
- Pricing Report: Identify by name/position/organization, the cost and price analyst who prepared the pricing report and the date of the report: _____

- Technical Advisory Report/Evaluator/Organization Code/Report Date: _____
- Weighted Guidelines (FAR 15.404-4, DEAR 915.404-4-70-2, and Acquisition Guide 15.4-2) or alternate profit and fee technique (DEAR 915.404-4-70-7).
- Advance notification provided to the Office of Congressional and Intergovernmental Affairs for solicitations in accordance with Acquisition Guide Chapter 5.1.

SECTION IV STATUS OF CONTRACTOR'S BUSINESS SYSTEMS

- Status of the Contractor/Subcontractor Disclosure Statement(s) (FAR 30.202-6, 7, and 8) are current, accurate and complete, as determined by _____ [identify agency] on ____ / ____ / _____. If not determined to be adequate, explain why _____.
- The contractor/subcontractor has an approved Purchasing System (FAR 44.305) as determined by the DCMA on: _____.
- The contractor has an adequate Estimating System as determined by the DCMA on: _____.
- The contractor has an adequate Accounting System as determined by the DCAA on (applicable to all cost type contracts): _____.

SECTION V NEGOTIATION OBJECTIVES

(A) Cost and Pricing Objectives (See Reference Notes for Detailed Analysis): In developing the cost and pricing objectives, the pre-negotiation plan must include a tabulation of each major element of cost and fee/profit at a summary level that is inclusive of the base period and options. Each major element of cost must include an associated reference note. The write up supporting the reference notes should identify: whether the basis of the proposed cost is justified; the basis, methodology, and techniques employed by the contractor in developing its proposed cost; the recommendations or findings of the auditors, evaluators, and others providing advisory assistance for evaluating and assessing the cost element; the basis, methodology, and techniques applied by the subject matter expert in formulating their recommendations and findings; the extent that the recommendations or findings from the advisory reports were incorporated in the establishment of the negotiation objective; if they are not fully utilized, the negotiator should identify the extent to which they were not utilized, the basis for this decision including additional facts and circumstances supporting the negotiator's alternate analysis. The contracting officer should also identify and discuss pricing that appears to be materially unbalanced.

Element of Cost	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Gov't Objective)	Reference Note
Direct Labor	\$	\$	\$	\$	A
Labor Overhead	\$	\$	\$	\$	B
Equipment	\$	\$	\$	\$	C
Materials	\$	\$	\$	\$	D
Material Overhead	\$	\$	\$	\$	E
Travel	\$	\$	\$	\$	F
Consultants	\$	\$	\$	\$	G
Subcontracts	\$	\$	\$	\$	H
Interorganizational Transfer	\$	\$	\$	\$	I
Other Direct Costs	\$	\$	\$	\$	J
Subtotal	\$	\$	\$	\$	
G&A	\$	\$	\$	\$	K
Subtotal	\$	\$	\$	\$	
Facility Capital Cost of Money	\$	\$	\$	\$	L
Total Cost	\$	\$	\$	\$	
Fee/Profit	\$	\$	\$	\$	M
TOTAL COST AND FEE	\$	\$	\$	\$	N

[The elements of cost represented above are those that are commonly encountered. Contracting officers are likely to encounter some variability in the elements of cost that are proposed by contractors since it will be dependent on the individual contractors accounting structure and the prescribed scope of the effort. However, contracting officers should be mindful that "management reserve" and "contingency" as defined in the DOE 413 series of directives are project and budget management tools. These should not be treated as elements of cost for purposes of establishing a contract or modification value. For detailed guidance, see Acquisition Letter 2009-01.]

This summary level tabulation should be supported by a detailed cost element breakout by performance period including a breakout of the base and individual option periods and individual CLINs to the extent that the solicitation requires pricing for separate contract line items. Major subcontracts would need separate spreadsheets with accompanied reference notes]

(B) Other Negotiation Objectives and Issues

Identify non-pricing related issues that must be addressed as part of the negotiation. Examples include:

1. Delivery or performance issues
2. Proposed special provisions.
3. Any deviations to regulations and the required approvals.
4. Contractor assumptions.
5. Any solicitation provisions that have been challenged by the Offeror or to which they have taken exception.
6. Discussion of unique features of the contract, e.g., pensions, contractor human resource management, transition issues, cost sharing, options, Government furnished facilities, property, or equipment not provided for in the contract.
7. Conflict of interest issues.

Submitted By:

_____ Contract Specialist	_____ Date
_____ Contracting Officer	_____ Date
Concurrence of:	
_____ Branch Chief	_____ Date
_____ Procurement Director	_____ Date
_____ Head of Contracting Activity	_____ Date

REFERENCE NOTES

REFERENCE NOTE A: DIRECT LABOR

A.1 Productive Direct Labor Hours

The pre-negotiation plan must identify the proposed labor categories; total productive direct labor hours for each labor category, the basis of the estimate, and an assessment of whether the proposed labor hours and skill mix are reasonable for purposes of establishing the negotiation objective.

The technical evaluation should identify the basis and methodology used to determine whether the proposed labor hours and skill mix are reasonable or not. Frequently, the determination regarding the reasonableness is based on experience with previous projects of a similar nature. When this is the case, the technical evaluation should identify the requirements that are the basis for comparison, the degree of comparability, and the analytical techniques that are used to evaluate the contractor's proposal.

The technical evaluation must also address the proposed skill mix and whether the types of labor categories and the hours proposed will be not only adequate to perform the work, but whether the skill mix is properly aligned with the nature of the work and whether the offeror has accounted for all types of labor reasonably required to complete the work. Are senior level personnel being proposed to perform work that can be performed by mid-level personnel? This is sometimes seen where a project manager may be performing multiple functions beyond just being a project manager, they may also, on a particular requirement, function as the lead engineer or serve as a functional specialist, etc. Likewise, when less-qualified or less senior personnel are assigned to tasks requiring higher qualifications, contract performance risk may increase as their inexperience may impair performance. The technical evaluator should address this in their evaluation by identifying who, in terms of functional labor categories, normally performs this work and the labor hours that would normally be expended. If an individual such as a project manager is performing the work of a lead engineer, the Government should not establish its negotiation objective on the individual's organizational position, but rather on the functional labor category for the work performed.

Related to the issue of the proper skill mix is whether the contractor's proposal is appropriately accounting for the attrition and turnover over the life of the negotiated requirement. When a contractor simply straight lines their labor estimate, the technical evaluator should consider whether this is an indication that the contractor has, in fact, not accounted for the effect of attrition and turnover which may impact both the negotiated cost as well as reflect a project management risk that has not been recognized and mitigated.

One area that technical evaluators fail to adequately evaluate is when productive direct labor hours have been incurred. It is often assumed that when hours have been incurred, they are already established and no further analysis is conducted. Productive direct labor hours, whether incurred or projected, must be evaluated to determine whether the skill mix and labor hours were reasonable. Again, even with incurred productive direct labor hours, the technical evaluator must provide the basis for the analysis.

Estimated Productive Labor Hours (Year XXXX)					
Labor Category	Contractor Proposed	Technical Evaluation Recommendation	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Total					

A.2 Direct Labor Rates

The pre-negotiation plan should identify the unburdened direct labor rates and the escalation factors proposed by the contractor, the rates recommended by DCAA, and rates used to establish the negotiation objective. The negotiator should identify any variance between the rates proposed by the contractor and those recommended by DCAA. In addition, the negotiator should identify any variance between the DCAA recommendation and those used to establish the negotiation objective, and the rates used.

For evaluating the proposed labor rates and escalation factors, the negotiator should utilize approved forward pricing rate agreements (FPRA) when available. Where a FPRA has not been negotiated, the negotiator may request field pricing support from DCAA or alternatively, obtain information by utilizing data provided under a previous audit report or obtain a rate verification from DCAA. In situations where a functional labor category is proposed for which an individual has to be hired, a survey of salary and compensation data may be used. The negotiator should also verify that the labor rates are in accordance with labor requirements and the terms of applicable collective bargaining agreement and wage determinations.

In establishing the reasonableness of escalation rates, the negotiator may obtain this information from DCAA or utilize forecasts such as those provided by Global Insights to the extent that their organization has an ongoing subscription with the company. The projections obtained through a subscription service may provide a more precise estimating tool reflecting industry specific or region specific data than the aggregate historical data issued by the U.S. Government (e.g., Consumer Price Index).

Unburdened Labor Rates (Year XXXX)

Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$

Escalation Factors (Year XXXX)

Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)

A.3 Direct Labor Dollars

This section of the pre-negotiation plan must identify the methodology for calculating the direct labor dollars including identifying what the base of application is and the rates applied to the base. It should identify the direct labor dollars for the base period and individual option periods, and separately calculate the incurred costs and projected costs. Where there is a variance between what is proposed and the negotiation objective, the negotiator should identify the source of the variance, e.g., is it attributable to a difference in the hours, labor rates, or both.

Estimated Direct Labor Dollars (Year XXXX)

Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

REFERENCE NOTE B: LABOR OVERHEAD

Overhead (O/H) refers to an ongoing expense of operating a business. The term overhead is usually used to group expenses that are necessary to the continued functioning of the business but that do not directly generate profits. Unlike G&A costs that represent indirect costs that are spread out over the entire operation, O/H typically represents indirect costs associated with a specific aspect of a companies operations, e.g., labor, manufacturing, on-site operations, off-site operations, etc.

Labor overhead, for instance, is an indirect element of cost that, depending on the accounting structure of a contractor, may account for indirect labor, fringe benefits such as health insurance, payroll taxes, compensated absences, group insurance, retirement benefits, education reimbursement, etc. It should be noted that large companies will often establish multiple labor overhead pools, e.g., engineering labor overhead pool, manufacturing labor overhead pool, etc., while the accounting structure of a small company may provide for a single overhead pool.

The pre-negotiation plan should identify the methodology for calculating the cost, the proposed overhead rates, and the base of application, whether it is in accordance with DCAA recommendations, and whether it is acceptable for purposes of establishing the Government's negotiation objective.

Labor Overhead Rates (Year XXXX)

Labor O/H Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Off-Site Engineering Labor				
On-Site Engineering Labor				
Manufacturing Labor				

Estimated Labor Overhead Dollars (Year XXXX)				
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Labor O/H Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Off-Site Engineering Labor	\$	\$	\$	\$
On-Site Engineering Labor	\$	\$	\$	\$
Manufacturing Labor	\$	\$	\$	\$
Total	\$	\$	\$	\$

REFERENCE NOTE C: EQUIPMENT

The pre-negotiation plan should identify the contractor's basis of estimate, the technical evaluators findings about whether the equipment is necessary and appropriate for the type of work to be performed and an evaluation of the proposed cost. In evaluating the proposed cost, the negotiator should consider performing a market survey for the same or similar items priced at the same quantity levels as what is being proposed, requesting copies of quotes received by the prime contractor, or looking at recent prices for similar equipment purchased at similar quantities.

Negotiators should be mindful that incurred costs must also be evaluated and are not presumed to be reasonable and acceptable by virtue of the fact that the cost has already been incurred.

Estimated Equipment Cost (Year XXXX)				
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Equipment Description	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

REFERENCE NOTE D: MATERIALS

The pre-negotiation plan should identify the contractor's basis of estimate, the technical evaluator's findings about whether the materials are necessary and appropriate for the type of work to be performed, and an evaluation of the proposed cost. In evaluating the proposed cost, the negotiator should consider performing a market survey for the same or similar items priced at the same quantity levels as what is being proposed, requesting copies of quotes received by the prime contractor, or looking at recent prices for similar materials purchased at similar quantities.

If the estimated cost of some materials is based on a cost estimating relationship (CER) as may be the case with small consumable materials, the pre-negotiation plan should state the basis of the CER and the methodology for its calculation and validate the CER with DCAA. In some instances, the list of materials is extensive and an item by item review of the proposed cost may not be practicable. In such cases, a stratified sampling may be useful.

Again, incurred costs must also be evaluated and are not presumed to be reasonable and acceptable by virtue of the fact that the cost has already been incurred. The incurrence of the

costs can be validated from vendor invoices. However, the invoices only validate the incurrence of the cost, not whether they were necessary for performance or whether the cost was reasonable.

Estimated Material Cost (Year XXXX)

Description of Materials	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

REFERENCE NOTE E: MATERIAL OVERHEAD

As discussed under reference note B, O/H typically refers to indirect costs associated with a specific aspect of a companies operations. Material overhead, depending on the accounting structure of a contractor, may be proposed. Material overhead might include the indirect cost associated with procuring, handling, storing, or managing the materials.

The pre-negotiation plan should identify the methodology for calculating the cost, the proposed overhead rates, and the base of application, whether it is in accordance with DCAA recommendations or an approved FPRA and whether it is acceptable for purposes of establishing the Government's negotiation objective.

Material Overhead Rates (Year XXXX)

Material Overhead Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Off-Site Material Overhead				
On-Site Material Overhead				

Estimated Material Overhead Dollars (Year XXXX)

Material Overhead Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Off-Site Material Overhead	\$	\$	\$	\$
On-Site Material Overhead	\$	\$	\$	\$
Total	\$	\$	\$	\$

REFERENCE NOTE F: TRAVEL

The pre-negotiation plan should identify the basis of the contractor's proposed travel costs for both local and non-local travel. For non-local travel, the contractor should identify the

origination and destination point for each proposed trip, the number of trips, number of travelers, airfare, car rental, per diem rate, the purpose of the travel, etc. For local travel, the contractor should identify the purpose of the local travel, origin and destination point, frequency of the travel, the number of miles per trip, the reimbursement rate for the local travel, and cost for parking and tolls. A technical evaluation must be conducted to determine whether proposed travel is necessary and appropriate and the negotiator should document the evaluation of the individual travel costs including airfare, per diem, car rental, etc. whether any of the costs appear to be unreasonable, and the basis for establishing the negotiation objective.

Estimated Travel Cost (Year XXXX)

Travel Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Non-Local Travel	\$	\$	\$	\$
Local Travel	\$	\$	\$	\$
Total	\$	\$	\$	\$

REFERENCE NOTE G: CONSULTANTS

The cost of consultants is often proposed on a labor hour basis. The evaluation of the consultant labor hours should be consistent with the type of analysis performed on the prime contractor labor hours and rates and other direct costs such as travel, per diem, and materials. The pre-negotiation plan should document the results of the technical evaluation as to whether the proposed hours are reasonable and necessary and whether the skills and expertise to be provided are commensurate with what is needed to perform the contract.

Labor Rates (Year XXXX)

Consultants Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

Estimated Labor Hours (Year XXXX)

Consultants Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Total				

The analysis of the proposed rate if proposed on a labor hour basis with fully loaded labor rates, may be validated by performing a survey of fully loaded labor rates for similar positions and work that is often readily available through other contracts and where there is an agreement in place, it should be reviewed and validated against the proposed data. However, the existence of

an existing agreement does not in and of itself validate the reasonableness of this cost unless the cost was established through competition or other cost analysis had been conducted through which reasonableness was established. Incurred labor costs and other direct costs should be validated through DCAA or through other invoicing or accounting data. However, this serves to validate the amount identified as incurred. It does not in and of itself serve as a sufficient basis for determining that the incurred cost was reasonable.

Based on the analysis of the consultant labor hours and fully burdened labor rates, the pre-negotiation plan should identify the total consultant labor dollars.

Estimated Consultant Cost (Year XXXX)

Consultant Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

REFERENCE NOTE H: SUBCONTRACTS

The pre-negotiation plan should provide for the same level and type of analysis as would be provided if the costs were proposed by the prime contractor where a subcontract is proposed on a cost reimbursement basis. The pre-negotiation plan should contain a full analysis for each major element of subcontractor cost. Assist audits should be obtained for each subcontractor's proposal where cost analysis is required and a technical analysis of the subcontractor's proposal that provides a commensurate level of evaluation as with a prime contractors cost should be obtained.

Estimated Subcontractor Cost (Year XXXX)
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Subcontractor's Elements of Cost	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

Where a subcontract is proposed on a cost reimbursement basis, the prime contractor must provide a subcontractor proposal for which a certificate of certified cost is completed unless an exception applies with respect to the certified cost and pricing data.

REFERENCE NOTE I: INTERORGANIZATIONAL TRANSFER

The pre-negotiation plan should provide for the same level and type of analysis as provided by the costs of the prime contractor. Inter-organizational transfers are materials sold or transferred among a prime contractor's divisions, subsidiaries, or affiliates that are under common control. Inter-organizational transfers usually appear in a proposal as part of material costs but may appear as an Other Direct cost (ODC) or as a distinct cost element.

Inter-organizational Transfer Cost (Year XXXX)				
Description of Transfer	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

Inter-organizational transfers at cost are considered the Government preferred method, but transfers of commercial work can be at other than cost when it is the contractor’s established practice to make transfer at other than cost. The pre-negotiation plan should document the transferred item if it is at other than cost and the price is based on established catalog or market prices of commercial items; or adequate price competition.

REFERENCE NOTE J: OTHER DIRECT COSTS

The pre-negotiation plan should be documented to identify the other direct costs (ODCs), ensure that they are evaluated to determine whether they are programatically necessary to perform the effort and the basis for determining whether the cost of the individual ODCs are reasonable. To the extent that some of the ODCs are estimated based on a CER, the pre-negotiation plan should state the basis of estimate, the methodology for the calculation, and extent to which the methodology and proposed rates are validated by DCAA. Incurred costs should also be reviewed and validated with DCAA.

Estimated Material Cost (Year XXXX)				
Description of ODCs	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

REFERENCE NOTE K: GENERAL AND ADMINISTRATIVE (G&A)

The pre-negotiation plan should be documented to identify the methodology for calculating the G&A cost including the rates and bases of application, whether the proposed rates are in accordance with DCAA recommendations, and the basis for establishing the negotiation objective.

G&A Rate (Year XXXX)				
	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Objective-Negotiated)
G&A Rate				

Estimated G&A Cost (Year XXXX)				
	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Objective-Negotiated)
G&A Expense	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

In many instances, especially where the contract is to acquire support services, the Government will typically apply G&A to total cost. This is referred to as a "total cost input base". However, where inclusion of material and subcontract costs would significantly distort the allocation of the G&A expense pool in relation to the benefits received, and where costs other than direct labor are significant measures of total activity, G&A is calculated on a "value-added cost input base" which is total cost less material and subcontract costs, depending upon the contractor's accounting system.

REFERENCE NOTE L: FACILITIES CAPITAL COST OF MONEY (FCCOM)

The pre-negotiation plan should documents the methodology for calculating the facilities capital cost of money including the rate and base of application, whether the proposed rates are in accordance with DCAA recommendation, and explicitly state that this is a non-fee bearing cost.

FCCOM (Year XXXX)				
	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
	\$	\$	\$	\$
	\$	\$	\$	\$
Total	\$	\$	\$	\$

However, FCCOM is a cost that is encountered with less frequency than the other major elements of cost identified in this template.

REFERENCE NOTE M: FEE/PROFIT

The pre-negotiation plan should clearly document the contractor's methodology and basis for calculating fee and the Government's methodology for calculating fee for purposes of establishing the negotiation objective for total cost plus fee. The pre-negotiation plan should identify the portion of the cost objective that is non-fee bearing. For those costs that are fee-bearing, the negotiator should identify the cost objective used in calculating the fee and the basis and methodology for calculating fee.

Fee Percentage (Year XXXX)				
Type of Fee	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Base Fee	%	%	%	%
Incentive Fee	%	%	%	%
Total	%	%	%	%

Fee Dollars (Year XXXX)				
Type of Fee	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Variance (Proposed - Objective)
Base Fee	\$	\$	\$	\$
Incentive Fee	\$	\$	\$	\$
Total	\$	\$	\$	\$

The negotiator will typically be required to apply the weighted guidelines in establishing a fee level commensurate with the risk and investment of the contractor. There are situations in which the weighted guidelines are not appropriate. Notable exceptions include construction or construction management contracts. DEAR 915.404-4-70-7 provides for alternate profit and fee technique.

ATTACHMENT-B
PRICE NEGOTIATION MEMORANDUM TEMPLATE

MEMORANDUM FOR THE RECORD:

SECTION I BACKGROUND

1. Requisition Number: _____
2. Contract/Modification Number: _____
3. Contract Type: _____
4. Description of the Work (Provide a brief summary of the general scope of work encompassed by this action): _____

6. Purpose of Negotiation _____
7. Contractor's Negotiation Team (name, position, and organization of each individual): _____

8. Government's Negotiation Team (name, position, and organization of each individual): _____

9. Date and location of negotiation commencement: _____
10. Date and location of negotiation completion: _____

SECTION II SUMMARY OF TOTAL COST AND FEE/PROFIT OBJECTIVE
--

	Contractor Proposal	Government Negotiation Objective	Government Maximum Position	Negotiated Amount
Total Cost	\$	\$	\$	\$
Fee/Profit	\$	\$	\$	\$
Total Price	\$	\$	\$	\$

[Attach detailed breakdown and discussion of cost elements resulting in the negotiated outcome. Include a statement that based on the analysis and discussion provided in the pre-negotiation plan and the price negotiation memorandum, the total price is considered to be fair and reasonable.]

SECTION III
SUMMARY OF KEY DOCUMENTS, APPROVALS, AND COMPLIANCES

Key documents, approvals, and compliances applicable to this action: (check applicable items).
Copies of marked documents are maintained in the original contract file.

- Certified cost and pricing data was required and obtained along with a Certificate of Current Cost and Pricing Data executed by the contractor on ____/____/____.
- The certified cost and pricing data was fully relied on in negotiating the cost/price.
- The certified cost and pricing data was not fully relied on. Identify how the data was inaccurate, incomplete, or not current; the actions taken by the contracting officer; and the effect on the negotiated price: _____
- Certified Cost and Pricing Data was not obtained based on the following exception in FAR 15.403-1: _____. Where a waiver was granted, identify the date the waiver was granted, the name and position of the individual authorizing the waiver, the contractor or subcontractor to which the waiver applies.
- Small Business Subcontracting Plan (or Revision) Received Pursuant to FAR 19.702(a)(1) on ____/____/____, reviewed by _____, and determined to be acceptable on ____/____/____. If the subcontracting plan is not required, identify basis for the exception _____.
- EEO Preaward Clearance Obtained In Accordance with FAR 22.805.
- Verified that funds are available for this effort.
- Contractor is not debarred, suspended, or ineligible (FAR 9.4 and DEAR 909.4). Identify when this was verified and by whom: _____
- Contractor is responsible (FAR 9 and DEAR 909.1).
- Negotiated contract pricing is not materially unbalanced (FAR 15.404-1(g)).
- Submission of DOE F 4220.10, Congressional Grant/Contract Notification, to the Office of Congressional and Intergovernmental Affairs for contract awards and modifications in accordance with Acquisition Guide Chapter 5.1.

SECTION IV
STATUS OF CONTRACTOR'S BUSINESS SYSTEMS

- No change in the status of the business systems identified in the pre-negotiation plan.
- The status of the following business systems have changed (identify the business system, the change, and its impact): _____

<p>SECTION V NEGOTIATED OBJECTIVES</p>
--

(A) Cost and Pricing Objectives (See Reference Notes for Detailed Analysis): In documenting the results of the negotiation, the contracting officer should identify each major element of cost and state whether the negotiation objectives were achieved. Where they were not achieved, the contracting officer should document the basis for negotiating an alternate cost, identify the basis of the variance from the Government's negotiation objective, the basis for determining that it is fair and reasonable including additional recommendations or findings from the auditors, evaluators, and others providing advisory assistance. In developing the price negotiation memorandum, it is not necessary to redact the analysis provided in establishing negotiation objectives as this documents and the pre-negotiation plan are intended to function as complementary documents. However, it must address each of the cost elements identified in the pre-negotiation plan.

Element of Cost	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Negotiated - Gov't Objective)	Reference Note
Direct Labor	\$	\$	\$	\$	\$	A
Labor Overhead	\$	\$	\$	\$	\$	B
Equipment	\$	\$	\$	\$	\$	C
Materials	\$	\$	\$	\$	\$	D
Material Overhead	\$	\$	\$	\$	\$	E
Travel	\$	\$	\$	\$	\$	F
Consultants	\$	\$	\$	\$	\$	G
Subcontracts	\$	\$	\$	\$	\$	H
Interorganizational Transfer	\$	\$	\$	\$	\$	I
Other Direct Costs	\$	\$	\$	\$	\$	J
Subtotal	\$	\$	\$	\$	\$	
G&A	\$	\$	\$	\$	\$	K
Subtotal	\$	\$	\$	\$	\$	
Facilities Capital Cost of Money	\$	\$	\$	\$	\$	L
Total Cost	\$	\$	\$	\$	\$	
Fee/Profit	\$	\$	\$	\$	\$	M
TOTAL COST AND FEE	\$	\$	\$	\$	\$	N

There should be an explicit determination indicating whether the negotiated price is determined to be fair and reasonable and whether the contract price(s) are materially balanced.

(B) Other Negotiation Objectives and Issues

Identify the non-pricing related objectives established in the pre-negotiation plan. Indicate whether each of the objectives was achieved. Where the negotiation objective was not met, discuss the negotiated outcome, and the basis and rationale for accepting the

negotiated outcome. In addition, identify additional issues presented at negotiations that were not originally discussed in the pre-negotiation plan.

Submitted By:

_____	_____
Contract Specialist	Date

_____	_____
Contracting Officer	Date

Concurrence of:

_____	_____
Branch Chief	Date

_____	_____
Procurement Director	Date

_____	_____
Head of Contracting Activity	Date

REFERENCE NOTES

REFERENCE NOTE A: DIRECT LABOR

The price negotiation memorandum should state whether the Government's negotiation objective for direct labor was achieved. Where negotiations resulted in a departure from the established negotiation objective for total direct labor cost, including the constituent elements used in formulating the Government's negotiation objective (e.g., labor hours, labor categories, labor rates, and escalation), the price negotiation memorandum should identify and discuss the variances and the basis for accepting the variances.

A.1 Productive Direct Labor Hours

If there is a variance between the productive direct labor hours negotiated and the Government objective, the price negotiation memorandum should identify the labor category and associated labor hours to which the variance is attributed and provide a re-calculation of the productive direct labor hours. In addition, the price negotiation memorandum should indicate that a technical evaluation for this negotiated objective was obtained since changes in labor hours or skill mix may increase or decrease the risk of performance or cost efficiency. The price negotiation memorandum should identify the basis and methodology for determining that the negotiated productive labor hours and skill mix are reasonable including the disclosure of additional data provided by the contractor at negotiations or obtained by the Government through other sources. The technical evaluation must also address whether this negotiated skill mix, labor categories, and the productive hours proposed will be adequate to perform the work, and whether the negotiated skill mix is better aligned with the nature of the work or whether the contractor was able to provide supplemental data and analysis that its estimate was more reliable or accurate.

Estimated Productive Labor Hours (Year XXXX)

Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective - Negotiated)
Total					

A.2 Direct Labor Rates

If there is a variance attributable to the direct labor rates accepted for negotiation purposes, the price negotiation memorandum should identify the labor category and associated labor rate and escalation factors attributing to the variance in the total direct labor cost.

Unburdened Labor Rate (Year XXXX)

Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective - Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$

Escalation Factor (Year XXXX)					
Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)

The price negotiation memorandum should also document the basis for accepting alternate labor rates and escalation factors, particularly where it deviates from the DCAA recommendation or an approved FPRA. The price negotiation memorandum must document the data, methodology, and analysis used in deriving the alternate labor rates and escalation factors that are negotiated and indicate whether the negotiated labor rates and escalation factors were considered fair and reasonable.

A.3 Direct Labor Dollars

If there is a variance in the direct labor dollars, the price negotiation memorandum should state whether the negotiated cost is due to a variance in the labor hours, labor rates, and/or escalation factors and identify the paragraph in which the constituent elements giving rise to the variance are discussed. In addition, the direct labor dollars should be re-calculated and presented in a format similar to the following (as applicable):

Estimated Direct Labor Dollars (Year XXXX)					
Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

The price negotiation memorandum should indicate whether the total negotiated direct labor dollars are considered fair and reasonable.

REFERENCE NOTE B: LABOR OVERHEAD

If there is a variance in the labor overhead, the price negotiation memorandum should state whether the variance is attributable to a change in the labor overhead rates themselves or whether it is a flow down from a change in the base of application, e.g., labor hours. The labor overhead dollars should be re-calculated and presented in a format similar to the following:

Labor Overhead Rates (Year XXXX)					
Labor Overhead Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
Off-Site Engineering Labor					
On-Site Engineering Labor					
Manufacturing Labor					

Estimated Labor Overhead Dollars (Year XXXX)					
--	--	--	--	--	--

Labor Overhead Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
Off-Site Engineering Labor	\$	\$	\$	\$	\$
On-Site Engineering Labor	\$	\$	\$	\$	\$
Manufacturing Labor	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

The price negotiation memorandum should indicate whether the total negotiated direct labor dollars are considered fair and reasonable.

REFERENCE NOTE C: EQUIPMENT

The price negotiation memorandum should state whether the Government's negotiation objective for equipment was achieved. Where negotiations resulted in a departure from the established negotiation objective, the price negotiation memorandum should identify, in a format similar to the one presented below, and discuss the variances, the basis for accepting the variances.

Estimated Equipment Cost (Year XXXX)					
--------------------------------------	--	--	--	--	--

Equipment	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective - Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE D: MATERIALS

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. Where negotiations resulted in a departure from the established negotiation objective, the price negotiation memorandum should identify, in a format similar to the one presented below, and discuss the variances, the basis for accepting the variances.

Estimated Material Cost (Year XXXX)					
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Description of Materials	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective - Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE E: MATERIAL OVERHEAD

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. Where negotiations resulted in a departure from the established negotiation objective, the price negotiation memorandum should state whether the variance is attributable to a change in the overhead rates themselves, whether it is a flow down from a change in the base of application, e.g., cost of materials, and the basis for accepting the negotiated cost. The material overhead dollars should also be re-calculated and presented in a format similar to the following:

Material Overhead Rates (Year XXXX)					
Material Overhead Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
Off-Site Material Overhead					
On-Site Material Overhead					

Estimated Material Overhead Dollars (Year XXXX)					
Material Overhead Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
Off-Site Material Overhead	\$	\$	\$	\$	\$
On-Site Material Overhead	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE E: TRAVEL

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. Where negotiations resulted in a departure from the established negotiation objective, the price negotiation memorandum should state the source of the variance, changes in assumptions about the frequency of travel, origination and destination points, number of travelers, etc. The travel dollars should also be re-calculated and presented in a format similar to the following:

Estimated Travel Cost (Year XXXX)

Travel Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
Non-Local Travel	\$	\$	\$	\$	\$
Local Travel	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE F: CONSULTANTS

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. Where negotiations resulted in a departure from the established negotiation objective, the price negotiation memorandum should state the source of the variance, changes in the labor hour, skill mix, labor rates, etc. Where there is a departure from the established negotiation objective, the consultant labor hours, rates, and total costs should be recalculated similar to the format provided below for a labor hour arrangement:

Consultant Labor Rates (Year XXXX)

Consultants Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$

Estimated Consultant Labor Hours (Year XXXX)

Consultants Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
Total					

Estimated Consultant Labor Dollars (Year XXXX)

Consultants Labor Category	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE G: SUBCONTRACTS

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. Where negotiations result in a departure from the established negotiation objective, the price negotiation memorandum should, in a cost reimbursement subcontract, identify and discuss the subcontractor's element of cost to which the variance is attributed, the basis for accepting the negotiated values.

Estimated Subcontractor Cost (Year XXXX)					
Subcontractor	Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE H: OTHER DIRECT COSTS

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. Where negotiations resulted in a departure from the established negotiation objective, the price negotiation memorandum should state the source of the variance and the basis for accepting the negotiated outcome. Where the negotiated results depart from the Government's established objective, the variance should be calculated in a format similar to the following:

Estimated Material Cost (Year XXXX)					
Description of ODCs	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE I: INTERORGANIZATIONAL TRANSFER

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. Where negotiations resulted in a departure from the established negotiation objective, the price negotiation memorandum should state the source of the variance, changes in assumptions.

Interorganization Transfer Cost (Year XXXX)					
Description of Transfer	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
	\$	\$	\$	\$	\$
	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE J: GENERAL AND ADMINISTRATIVE (G&A)

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. If there is a variance in the general and administrative cost, the price negotiation memorandum should state whether the variance is attributable to a change in the rates themselves or whether it is a flow down from a change in the base of application. The labor overhead dollars should be re-calculated and presented in a format similar to the following:

G&A Rate (Year XXXX)					
	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
G&A Rate					
Total					

Estimated G&A Cost (Year XXXX)					
	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
G&A Cost	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE K: FACILITIES CAPITAL COST OF MONEY (FCCOM)

The price negotiation memorandum should state whether the Government's negotiation objective for this cost element was achieved. If there is a variance in the facilities capital cost of money, the price negotiation memorandum should state whether the variance is attributable to a change in the rate itself or whether it is a flow down from a change in the base of application. The FCCOM dollars should be re-calculated and presented in a format similar to the following:

FCCOM Rate (Year XXXX)					
	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
FCCOM Rate					

FCCOM Expense (Year XXXX)					
	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
FCCOM Expense	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

REFERENCE NOTE L: FEE/PROFIT

The price negotiation memorandum should state whether the Government's negotiation objective for fee was achieved. Where negotiations resulted in a departure from the established negotiation objective, the price negotiation memorandum should state the source of the variance and the basis for accepting the negotiated outcome. Where the negotiated results depart from the Government's established objective, the variance should be calculated in a format similar to the following:

Fee Percentage (Year XXXX)

Type of Fee	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
Base Fee	%	%	%	%	%
Incentive Fee	%	%	%	%	%
Total	%	%	%	%	%

Fee Dollars (Year XXXX)

Type of Fee	Contractor Proposed	Government Negotiation Objective	Government Maximum Position	Negotiated	Variance (Objective-Negotiated)
Base Fee	\$	\$	\$	\$	\$
Incentive Fee	\$	\$	\$	\$	\$
Total	\$	\$	\$	\$	\$

Where there is a variance from the Government objective as a result of differences in the cost elements and risk, the negotiator should re-apply the weighted guidelines (or alternate profit and fee technique in accordance with DEAR 915.404-4-70-7) to ensure that the negotiated fee levels are reasonable and well supported.